



## Overseas investment encouraged with loans

November 04, 2004

Despite central bank's recent hike in interest rate hikes, Chinese companies will continue to enjoy low-interest loans when they invest in government-encouraged overseas projects.

The National Development and Reform Commission (NDRC) and the Export-Import Bank of China (China Exim Bank) Wednesday jointly announced the decision and application procedure at the commission's website.

The bank's press official told China Daily that preferential measures are the continuation of a decision made by China Exim Bank and the commission last year.

"The policy has no change and application procedures have been adapted to China's adjusted investment regulations," said the official. She did not reveal exactly how preferential the interest rate will be.

Last Thursday, the [People's Bank of China](#) jacked up interest rates for the first time in nine years. The benchmark rate for one-year renminbi loans was lifted to 5.58 per cent from 5.31 per cent and the rate on one-year deposits to 2.25 per cent from 1.98 per cent.

According to the joint announcement, the commission, the highest governmental department to oversee China's economy, and the bank will set up a regular mechanism to help competitive Chinese companies.

The bank will spare a certain amount of annual credit to help Chinese companies explore overseas resources which are badly needed in China.

Other priority overseas loan projects encouraged by the government include production factories and infrastructure which can spur export and create more jobs. Priority credit for export of equipment, technology and raw materials, which are demanded by overseas investment projects, will be provided for companies.

Lin Yueqin, researcher with Economic Research Institute of the Chinese Academy of Social Sciences, said helping domestic companies invest in foreign countries plays an important role in maintaining a sustainable and healthy economic growth in China.

He said the big companies will become major beneficiaries of low-interest loans, which can lessen their cost.

"But the measures will do less good to medium-and-small companies, because their investment scale is small," said Lin, while adding that the application procedure is still too complicated.

He suggested China would stress supporting its medium and small enterprises investing in other countries by drafting policies to offer interest-free policy loans.

"Investment overseas has become a major way for Chinese enterprises to participate in global economic competition since China began to adopt an opening up policy more than 20 years ago," Lin said. "But it's far away from enough."

Chinese companies made overseas direct investments valued at US\$2.85 billion last year, an increase of 5.5 per cent compared with 2002, the Ministry of Commerce said.

By the end of last year, the total amount of overseas direct investment by these companies reached US\$33.2 billion, the ministry said in a Statistical Communique of China on Overseas Direct Investment, jointly issued with the National Bureau of Statistics.

But China's overseas direct investment activity lagged far behind developed countries.

Figures indicate that direct investment by Chinese companies accounted for only 0.48 per cent of the world's total.

The State-owned firms took a lead in making overseas investments, accounting for 43 per cent of the firm totals.

Nearly half of the investment by Chinese companies was made in Asia.